



IRA A. JACKSON
COMMISSIONER

The Commonwealth of Massachusetts
Department of Revenue
Leverett Saltonstall Building
100 Cambridge Street, Boston 02204

March 8, 1984

("Company") is in the business of preparing tax returns by computer. You inquire whether sales of computer-processed tax returns to tax professionals by the Company are subject to the sales tax. The tax professionals complete questionnaires; the data from the questionnaires are entered into the Company's central computer. The computer completes the tax returns which are then returned to the tax professionals.

You also inquire whether sales of computer time sharing are subject to the sales tax.

Chapter 64H, Section 2 of the Massachusetts General Laws imposes a 5% sales tax on retail sales of tangible personal property in Massachusetts. A sale is defined as any transfer of title or possession of tangible personal property for consideration. (G.L. c. 64H, § 1(12)(a)). A sale is further defined as

"[t]he furnishing of information by printed, mimeographed or multigraphed matter or by duplicating written or printed matter in any other manner, including the services of collecting, compiling or analyzing information of any kind or nature and furnishing reports thereof to other persons, but excluding the furnishing of information which is personal or individual in nature and which is not or may not be substantially incorporated in reports furnished to other persons, and excluding the services of advertising or other

March 8, 1984

agents, or other persons acting in a representative capacity, and information services used by newspapers, radio broadcasters and television broadcasters in the collection and dissemination of news." (G.L. c. 64H, § 1(12)(f)).

The Massachusetts Sales and Use Tax Regulation on Automatic Data Processing provides that if a service bureau enters into a contract to process a customer's data by use of automatic data processing equipment, the taxability of the transaction depends on the form of the output. If the customer receives the output in human-readable form, "the transaction is regarded as one the real object of which is the service of furnishing personal or individual information," and the transaction is not subject to the sales tax. If the customer receives the output in machine-readable form, "the transaction is regarded as one the real object of which is the transfer of tangible personal property" and is subject to the sales tax. (830 CMR 64H.06(11)).

The tax returns are received by the tax professionals completely filled out and are ready to be signed and filed. Thus, the output is received in human-readable form.

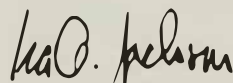
The Massachusetts Sales and Use Tax Regulation on Automatic Data Processing further provides that

"[a] transaction whereby a person secures access, by means of telephone or other lines, to equipment not on his premises, is not subject to tax if the person or his employees do not operate the equipment or direct and control its operation while on the premises where the equipment is located." (830 CMR 64H.06(5)).

Based on the foregoing, it is ruled that:

1. The Company's charges for the completion of tax returns are not subject to the sales tax.
2. The Company's charges for computer time sharing are not subject to the sales tax.

Very truly yours,



Commissioner of Revenue

IAJ:JES:mf

LR 84-23